

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 ISO-00 L-03 H-02 MC-02 PM-04 DODE-00

EB-07 NRC-05 NSAE-00 TRSE-00 ERDA-05 CIAE-00 COME-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8054

C O N F I D E N T I A L OTTAWA 4272

E.O. 11652: GDS

TAGS: MASS, CA

SUBJECT: MUNITIONS CONTROL AND AGENTS FEES

REF: STATE 255260

1. ON BASIS INFORMAL DISCUSSIONS WITH SEVERAL GOC OFFICIALS, IT APPEARS THEY NOT RPT NOT OVERLY CONCERNED ABOUT EXCESSIVE AGENCY FEE PAYMENTS AND IMPROPER ACTIVITIES IN PURCHASES OF MUNITIONS FROM U.S. THEY BELIEVE THAT FACT THAT UNDER CANADIAN PARLIAMENTARY SYSTEM SUCH PAYMENTS OR ACTIVITIES WOULD PROBABLY BECOME KNOWN AND THEIR PROPRIETY QUESTIONED IN PARLIAMENT IS EFFECTIVE DETERRENT. FURTHERMORE, WHILE EXCESSIVE AGENCY FEE PAYMENTS MIGHT OR MIGHT NOT BE CONSIDERED OFFENSE UNDER CANADIAN CRIMINAL CODE, ANYONE WHO OFFERS TO GIVE TO GOVERNMENT OFFICIALS REWARDS, ADVANTAGES OR BENEFITS OF ANY KIND AS CONSIDERATION FOR COOPERATION, ASSISTANCE OR EXERCISE OF INFLUENCE IN CONNECTION WITH THE TRANSACTION OF GOVERNMENT BUSINESS IS PUNISHABLE UNDER THE CODE, AS IS THE ONE WHO ACCEPTS, AGREES TO ACCEPT OR ATTEMPTS TO OBTAIN MONEY OR VALUABLE CONSIDERATION FOR HIMSELF.

2. EMBASSY DOES NOT BELIEVE THAT GOC WOULD REQUEST OR DESIRE INFORMATION ON AGENTS AND FEES FROM U.S. AND NON-U.S. SUPPLIERS. CANADIANS DO NOT NOW POLICE OR MONITOR BUSINESS CONTRACTS WITH OTHER GOVERNMENTS EXCEPT, OF COURSE, IN SPECIAL CASES SUCH AS
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THE EXERCISE OF CONTROLS OVER EXPORTS OF STRATEGIC GOODS. GOC

GOVERNMENT-TO-GOVERNMENT CONTRACTS OR SALES HANDLED BY CANADIAN COMMERCIAL CORPORATION (CCC) ARE CLOSELY SUPERVISED WITH CCC VERIFYING PRICES WITH SUPPLIERS.

3. ONE GOC OFFICIAL EXPRESSED OPINION THAT TOO STRINGENT OR BROAD REQUIREMENTS ON AGENTS FEES COULD WELL CUT GROUND FROM UNDER FEET OF INDUSTRY AND PLACE THEM AT COMPETITIVE DISADVANTAGE. REFLECTING WHAT EMBASSY BELIEVES IS WIDELY HELD VIEW, HE NOTED DILEMMAS THAT ARISE IN COUNTRIES WHERE ACCEPTED PRACTICE IS PAY-OFF TO KEY OFFICIALS, IN SOME CASES QUITE OPENLY OR IN OTHER CASES IN FORM OF CONTRIBUTIONS TO "WIDOWS AND ORPHANS FUND" (WHICH WIDOWS AND ORPHANS NEVER SEE), AND SUGGESTED THAT DOMESTIC RULES SHOULD NOT NECESSARILY BE APPLIED OR EXPECTED TO BE APPLIED IN OTHER COUNTRIES.

4. IN SUM, CANADA ALREADY HAS MEANS TO DEAL WITH IMPROPER PRACTICES WHICH U.S. HOPES TO BRING UNDER CONTROL. EMBASSY SEES NO NEED FOR ITAR REVISION AS FAR AS MUNITIONS SALES TO CANADA ARE CONCERNED. PORTER

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